



SENT TO COUNCIL:

Forwarded on:

MAY 1 2001

Memorandum by Council Liaison's Office

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Leslye Corsiglia

SUBJECT: SEE BELOW

DATE: April 27, 2001

Approved

Date

4.30.01

INFORMATION

SUBJECT: PROCESS IMPROVEMENTS FOR APPROVAL OF AFFORDABLE HOUSING LOANS (HOUSING PRODUCTION TEAM RECOMMENDATIONS #10, 13, 22, 41 AND 66)

BACKGROUND

On January 21, 2001, the City Council accepted the report of the Mayor's Housing Production Team (HPT) and referred the recommendations in that report to the City Administration for responses. Five of the recommendations in the HPT report address improvements to the process by which affordable housing loans are made. These recommendations are:

- Direct staff to make changes to speed up the process for affordable housing loans (HPT Recommendation #10)
- Reduce time from loan approval to cutting the check to developers (HPT Recommendation #13)
- Housing Department should change their funding guidelines. They are outdated and need more flexibility (HPT Recommendation #22)
- Housing Department's predevelopment pool fund process should be revised to create an easier process to allow access for affordable housing developers (HPT Recommendation #41)
- Need to have more flexibility to allow our existing affordable housing funding to go toward projects that are not applying for tax credits (HPT Recommendation #66)

This report responds to these recommendations.

ANALYSIS

On February 9th and 13th, the Housing Department convened a two-session roundtable meeting of affordable housing developers to discuss the subject recommendations made by the Mayor's

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Housing Production Team (as well as other recommendations that are being addressed in separate reports to the City Council).

The developers at the roundtable discussion gave us positive feedback on the Housing Department's administration of the development loan process. Many noted that they have seen improvement in the Department's responsiveness and turn-around times over the past few years. Two of the recent improvements to streamline the process are: (1) preparing draft City loan documents prior to the City Council's approval of loan terms; and (2) making the wiring of funds to escrow (as opposed to preparing a check) a standard procedure rather than an occasional exception to the rule.

With respect to loan-underwriting guidelines, the Department has become much more flexible over the past two years in order to expedite processing of the development proposals needed to meet the adopted 1999-04 Five-Year Spending and Operations Plan. While it is true that the Department once required all proposals to be submitted to the Tax Credit Allocation Committee (TCAC) for 9% tax credits, that practice has been terminated and staff now works closely with all applicants to make sure that the number of applications to TCAC is restricted to those likely to receive an allocation.

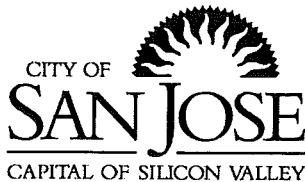
The Department is also now entertaining financing structures beyond the traditional means of 9% tax credits, tax-exempt private-activity bonds requiring an allocation from the California Debt Limit Allocation Committee (CDLAC) and funding from the U.S. Department of Housing and Urban Development. In the near future, we will be recommending City Council approval of a 501(c)(3) nonprofit tax-exempt bond that does not require an allocation from CDLAC. And we have informed developers that the Department will seriously entertain any proposal for alternative financing structures or alternative development schemes (e.g., mixing family and senior units in the same building) so long as the proposal meets the City's policies on leveraging and is consistent with the requirements of senior lenders and/or investors.

An area in which the Department recognizes the need to look for ways to streamline the process is with respect to the CDBG-funded predevelopment loan program (HPT Recommendation #41). Because this process was originally approved by the City Council in 1991, Council action will be required to make changes. Recommendations in this regard will be presented to the City Council by June 30th.

CONCLUSION

The Housing Department is working with developers to improve the process for approving affordable housing loans, and has implemented a number of streamlining measures toward this end.


LESLEYE CORSIGLIA
Acting Director of Housing



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